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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1982

TIMBERLAND MACHINES AND ENGINEERING CORP., E. HOWARD SWAFFORD, FREDERICK L. MILLER,
PETITIONERS,

v.

MAINLAND INDUSTRIES, INC.,
RESPONDENT.

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF OREGON

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QUESTION PRESENTED

Whether the Oregon Court of Appeals misapplied the law of master-servant as enunciated by this Court in the seminal case of United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933).

TABLE OF CONTENTS

	Page
Opinions Below	2
Jurisdiction	2
Constitutional Provisions Involved	2
Statement of the Case	3
Reasons for Granting the Writ	14
(1) The decision below conflicts with this Court's decision in United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933)	14
(2) The Court has not for fifty years passed on the question of ownership of inventions by employed persons	27
Conclusion	28
Appendix	A-1
Opinion of the Court of Appeals of Oregon	A-1

TABLE OF CONTENTS (cont'd)

	Page
Memorandum Opinion of the Clackamas Circuit Court of Oregon	A-30
Denial of Petition for Review by Oregon Supreme Court	A-94

TABLE OF AUTHORITIES

Page

Cases

Bandag, Inc. v. Morenings, 146 N.W.2d 916, 152 U.S.P.Q. 353 (Iowa 1966) 16,24

Cambridge Wire Cloth Co. v. Applegarth, 141 U.S.P.Q. 44 (Md. Cir. Ct. 1964) 16,24

Chilton v. Comr. Internal Revenue, 40 T.Ct. 552, 138 U.S.P.Q. 336 (1963) 16,24

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Melin v. United States, 478 F.2d 1210, 177 U.S.P.Q. 580 (Ct. Cl. 1973) 16,24

Mosser Industries, Inc. v. Hagar, 200 U.S.P.Q. 608 (Pn. Ct. C. Pleas. 1978) 16,24

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Ushakoff v. United States, 327 F.2d 669, 140 U.S.P.Q. 341 (Ct. Cl. 1964) 16

TABLE OF AUTHORITIES (cont'd)

Page

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Deller's Walker on Patents, 2d ed., title 378 16

"The Law of the Employed Inventor - Time for a Change?", 57 Mass. L.Q. 27, 37 (1972) 28

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MAINLAND INDUSTRIES, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF OREGON

The petitioners, Timberland Machines and Engineering Corp., E. Howard Swafford, and Frederick L. Miller respectfully pray that a writ of certiorari issue to review the judgment and opinion of the Court of Appeals of Oregon, entered in this proceeding on August 18, 1982.

OPINIONS BELOW

The opinion of the Oregon Court of Appeals appears in 58 Or.App. 585, 649 P.2d 613 (1982). The Memorandum Opinion of the Clackamas Circuit Court of Oregon was not published. Both opinions appear in the Appendix hereto.

JURISDICTION

The judgment of the Oregon Court of Appeals was entered on August 18, 1982. A timely petition for review in the Oregon Supreme Court was denied on November 2, 1982, and this petition for certiorari was filed within 90 days of that date. This Court's jurisdiction is invoked under 28 U.S.C. § 1257(3).

CONSTITUTIONAL PROVISIONS INVOLVED

Article 1, section 8 of the United States Constitution provides in pertinent part:

> "The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . ."

The Fourteenth Amendment of the United States Constitution provides in pertinent part:

> "nor shall any State deprive any person of life, liberty, or property, without due process of law."

STATEMENT OF THE CASE

Alfred Maede founded Chipper Machines and Engineering Corp. ("CM&E") in 1953, and shortly thereafter hired petitioner Frederick L. Miller. The business of CM&E was primarily marketing a line of wood chippers. Miller was hired in a general capacity with his duties including sales, inspection of equipment that was manufactured, shop problems regarding drawing or manufacturing

errors, all incidental troubleshooting, field installations, servicing equipment, and training field and mill personnel to operate and troubleshoot the equipment. Tr. 139, 197, 349-50, and 587.[1] There was no evidence adduced to show that he was hired specifically to invent.

Before his employment by CM&E, Miller had over the years established a practice of inventing and obtaining patents on his inventions. Prior to accepting employment with CM&E, he informed Maede that he intended to continue his practice of inventing and patenting inventions on his own. Consequently, Miller and Maede for CM&E orally agreed that anything Miller invented on his own time, money and

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[1]The transcript of the trial in the Clackamas Circuit Court will be here referred to as "Tr.".

facilities would be retained by him, and anything he invented on CM&E's time, money and facilities would be assigned to CM&E. Tr. 350-51. Three impartial witnesses, Edmond Gurney (a CM&E employee from 1953 to 1975 and former corporate president); Harold Elford (a private business person who retained Miller as a consulting engineer in 1956 based on Maede's recommendation); and Lee Schermerhorn (Miller's and CM&E's patent attorney), confirmed the existence and terms of that agreement, as testified to by Miller. Tr. 684-87, 715-20, and 734-37. Edmond Gurney also testified that sometime after he was employed, he suggested to Maede that new employees be required to assign inventions to CM&E, but that the policy was never implemented. When Maede discussed implementation of the policy with Miller, Gurney

testified that "the outcome of the discussion was that Fred's right to his work, his own particularly outside of work was his own, belonged to him, to no one else." Tr. 718-20.

Moreover, no evidence was ever introduced at trial by plaintiff that controverted the existence or the terms of the oral agreement, as testified to by Miller. For over twenty years the parties operated harmoniously under that oral agreement, during which time CM&E prospered significantly under the agreement with Miller.

After Maede died, plaintiff, Mainland Industries, Inc., purchased CM&E in December, 1975. Miller continued his employment with CM&E/Mainland.[2] The only change with respect to

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[2]Because the name of the business was not changed to Mainland, "CM&E/Mainland" will be used to denote CM&E after its acquisition by Mainland.

Miller's employment was that his sales activities were to be curtailed and that he was requested to focus on his engineering duties which still included trouble-shooting, fielding customer complaints and supervising engineering personnel. At no time did CM&E/Mainland request Miller to enter into any agreement, oral or written, regarding assignment of inventions or non-competition. Tr. 55-57, 179, 189, and 562.

Miller retired from CM&E/Mainland in February, 1978, upon reaching the age of 65. Shortly thereafter he joined petitioner Timberland Machines and Engineering Corp. (Timberland), which had been incorporated by petitioner E. Howard Swafford. Swafford had previously worked as comptroller for CM&E/Mainland.

From 1953 to April, 1978, Miller obtained six patents, all relating to

woodworking machinery. Pursuant to the Miller-CM&E agreement, three of those patents were assigned by Miller to CM&E and three were retained by Miller as his personal property. With respect to the patents Miller retained, he personally paid for all patent work, and all correspondence and other matters relating to those patents were conducted from his own house and not from the offices of CM&E. CM&E was well aware of Miller's retention of ownership of his inventions made on his own time, money and facilities, and no question was ever raised as to his ownership. Tr. 328-30, 718-19, 730; Exhibits 30, 153, 154, 155, 188, and 190.[3]

In regard to the 1978 knifeholder patent (subject of present suit),

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[3]Exhibits 188 and 190 were admitted post trial.

this regard was given by Gene Hill, CM&E/Mainland's manager, who said he was unaware of any problems with the 1973 knifeholder until 1979. Tr. 31, 63-65. Moveover, Edmond Gurney, president of CM&E from 1973 to 1975 did not recall any problem with respect to plugging or jamming of the 1973 knifeholder. He believed such problems would have been brought to his attention because he generally fielded customer complaints. Tr. 720. From out of its 400 to 500 chipping heads in use, which employ over 3,000 knifeholders (8 per machine), CM&E/Mainland made only two service calls to correct alleged problems with the 1973 knifeholder. Tr. 446-47. In both cases, problems with the knife-

holder were due to customer misuse of the equipment.[4]

Although CM&E/Mainland's manager assigned Miller the duties of designing a waste wood chipper and a saw edger, he never asked Miller to design or to invent an improved knifeholder. Tr. 74-75. In fact, even at the time of trial, Hill had never assigned to any employee the task of designing or inventing an improved knifeholder, because of any problems or for any other reason. Tr. 75.

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[4]The complaint from the British Columbia customer (Whonnock Mills), referred to in the Court of Appeals decision, was reported in March, 1977. Actually, the mill reported a total of twenty-one problems, only one of which related to the knifeholder itself. These problems were due to abuse of the machine by putting logs through which exceeded the chipper's capacity, as testified to by Mr. Zacharias, a sales employee of plaintiff's familiar with the situation at Whonnock. Tr. 414-15.

Stage Where Federal Questions were Raised

In United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933), which involved a patent granted under Art. I, § 8, cl. 8 of the United States Constitution, this Court held that a patent is a property right. Accordingly, as a property right protected by the Fourteenth Amendment of the Constitution, a patent cannot be taken away without due process of law.

In the present case, petitioners argued in the trial court that the holding of United States v. Dubilier Condenser Corp. was the controlling law.

In their trial brief, petitioners raised this issue:

> "If an employee has a general employment agreement and has not been hired specifically to make inventions, any invention made by the employee during his period of employment remains his personal property. In the absence of an

> express agreement to assign inventions, the courts will not imply or infer an agreement by an employee to assign his patent to the employer. If the employee makes the invention on the time, money and materials of his employer, the most to which the employer is entitled is a shopright which is a nonexclusive right to practice the invention but ownership of the invention remains in the employee. United States v. Dubilier Condenser Corp., 289 U.S. 178, 77 L.Ed. 1114 (1933)." Defendants' Trial Brief at page 9.

Petitioners also raised this issue in their post trial memorandum:

> "The definitive case relating to patent rights as between an employer and employee in an employee-made invention is the U.S. Supreme Court decision in United States v. Dubilier Condenser Corp., 289 U.S. 178, 77 L.Ed. 1114 (1933). Although the case involved an employee of the U.S. Government, the Court made it clear that the law is the same for a private employer." Defendants' Post Trial Memorandum at page 6.

In the Oregon Court of Appeals, petitioners contended that this Court's decision in Dubilier governs the facts in the case. Cross-appellants' brief.

In the Oregon Supreme Court, petitioners stated:

> "The Court of Appeals misapplied the law of master-servant as enunciated by the United States Supreme Court in the seminal case of United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933). Petition for review of Timberland Machines and Engineering Corp., E. H. Swafford, and F. L. Miller."

REASONS FOR GRANTING THE WRIT

1. THE DECISION BELOW CONFLICTS WITH THIS COURT'S DECISION IN UNITED STATES V. DUBILIER CONDENSER CORP., SUPRA.

In determining entitlement to an invention as between an employer and an employee, absent an employment contract, title to the invention of an employee is governed by the traditional common law of master-servant. The standards set forth by this Court in United States v. Dubilier Condenser Corp., supra,

remain the touchstone for determining such disputes. As cogently synopsized in Dubilier:

> "One employed to make an invention, who succeeds, during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained. The reason is that he has only produced that which he was employed to invent. His invention is the precise subject of the contract of employment. A term of the agreement necessarily is that what he is paid to produce belongs to his pay-master. Standard Parts Co. v. Peck, 264 U.S. 52, 68 L.Ed. 560, 44 S.Ct. 239, 32 A.L.R. 1033. On the other hand, if the employment be general, albeit it covers a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent, the contract is not so broadly construed as to require an assignment of the patent. Hapgood v. Hewitt, 119 U.S. 226, 30 L.Ed. 369, 7 S.Ct. 193; Dalzell v. Dueber Watch Case Mfg. Co., 149 U.S. 315, 37 L.Ed. 749, 13 S.Ct. 886. In the latter case it was said:
>
> > 'But a manufacturing corporation, which has employed a skilled workman, for a stated compensation, to take charge of its works, and to devote his time and services to devising and making improve-

> ments in articles there manufactured, is not entitled to a conveyance of patents obtained for inventions made by him while so employed, in the absence of express agreement to that effect.'
>
> The reluctance of courts to imply or infer an agreement by the employee to assign his patent is due to a recognition of the peculiar nature of the act of invention . . ." 289 U.S. at 187-188.

As demonstrated by Dubilier and its progeny, courts are very reluctant to impress upon an employee a duty under the common law to assign his or her patent.[5] In essence, a presumption

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[5] Melin v. United States, 478 F.2d 1210, supra (Ct. Cl. 1973); Ushakoff v. United States, 327 F.2d 669, supra (Ct. Cl. 1964); Logus Mfg. Corp. v. Nelson, 195 U.S.P.Q. 566 (E.D.N.Y.), aff'd on rehearing, 200 U.S.P.Q. 570 (E.D.N.Y. 1977); Chilton v. Comr. Internal Revenue, 40 T.C. 552, 138 U.S.P.Q. 336 (1963); Bandag, Inc. v. Morenings, 146 N.W.2d 916, supra; Cambridge Wire Cloth Co. v. Applegarth, 141 U.S.P.Q. 44 (Md. Cir.Ct. 1964); Mosser Industries, Inc. v. Hagar, 200 U.S.P.Q. 608 (Pn. Ct. C. Pleas. 1978); see Deller's Walker on Patents, 2d ed., vol. 4, § 378.

arises in favor of the employee retaining ownership of the patent absent clear proof by the employer to the contrary.

Inquiry must be focused on (1) whether there is an oral or written contract of employment governing rights to inventions; and, if there is no contract of employment, (2) whether the employee was hired in a general capacity or hired specifically to invent.

As enunciated in Dubilier, if the employee was employed in a general capacity, the employee is not required to assign any patents obtained on his or her inventions even though the subject of the patent relates to his or her field of employment. Conversely, if an employee was hired specifically to invent, the employee is required to

assign to the employer any patents obtained on inventions relating to the employer's product line.

In the courts below, petitioners contended that an oral contract existed between Miller and his original employer, CM&E, which provided that Miller was entitled to retain ownership of all patents obtained by him using his own time, money and facilities. Petitioners alternatively maintained that, absent such a contract, because Miller was employed in a general capacity, he was entitled under Dubilier to retain ownership of the 1978 knifeholder patent.

Turning to the facts in the present case, Alfred Maede founded CM&E in 1953. Shortly thereafter, Maede asked petitioner Frederick L. Miller, an old college friend of Maede's, to go to work for him. Edmond Gurney joined CM&E at about

the same time and initially the three of them (Maede, Miller and Gurney) were the only employees.

Miller testified that prior to accepting employment with CM&E, he explained to Maede that due to his established practice of making inventions, searching their patentability and obtaining patents, he did not want to be employed by anyone who would place any restriction on these activities. Tr. 350-51. He further testified:

> "We agreed that anything that I invented on my own time, including my own materials and other facilities, would be my property alone. And following that, anything that I did in the office that was done with company time and materials, would be assigned normally to the company." Tr. 351.

Based on that agreement, Miller maintained an outside engineering consulting practice which was well-known to CM&E during the entire period of time Miller

worked for CM&E. Tr. 352-53 and 730. While employed, Miller obtained six patents on various inventions. Three were assigned to his employer and three were retained by Miller. All patents related to CM&E's business. Tr. 328-30; exhibits 30, 153, 154, 155, 188 and 190.

The existence of the Miller-CM&E agreement was also attested to by three impartial witnesses: Edmond Gurney, a CM&E employee from 1955 to 1975 and former president of the corporation; Harold Elford, a private business person who, at Maede's suggestion, consulted Miller regarding an engineering problem; and Lee Schermerhorn, Miller's patent attorney from the late 1940's or early 1950's and CM&E's patent attorney from the late 1950's or early 1960's. Tr. 684-87, 715-20, 730, and 734-37.

During his employment, Miller's duties included engineering, sales, inspection of equipment that was manufactured, shop problems regarding drawing or manufacturing errors, all incidental troubleshooting, field installations, servicing equipment and training field and mill personnel to operate and troubleshoot the equipment. Tr. 139, 197, 349-50, 467, and 587.

The Court of Appeals concluded that Miller had an implied duty to assign to CM&E any patents which directly related to CM&E's product line. Based on this holding, Miller was ordered to assign the 1978 knifeholder patent to respondent. A basic problem with the Court of Appeals' decision is that it hopelessly intermingled in its analysis the issue of "whether Miller had an implied duty to assign patents under the principles

set forth in Dubilier" with the issue of "whether in this particular case an express oral contract existed between Miller and his original employer governing rights to the patent".

Although it has been petitioners' position that the Miller-CM&E agreement is determinative of all rights to the 1978 patent, under Dubilier it is plain that Miller has no implied duty to assign his invention to respondent. As set forth by this Court in Dubilier, where an employee is hired in a general capacity there is no duty to assign title to any inventions conceived by the employee absent a clear agreement to that effect. Furthermore, in the case of general employment, an employee has no implied duty to assign an invention even though it relates to the employer's product line.

> "'[A] manufacturing corporation, which has employed a skilled workman, for a stated compensation, to take charge of its works, and to devote his time and services to devising and making improvements in articles there manufactured, is not entitled to a conveyance of patents obtained for inventions made by him while so employed, in the absence of express agreement to that effect." United States v. Dubilier Condenser Corp., 289 U.S. at 187-88 (citing Dalzell v. Dueber Watch Case Mfg. Co., 149 U.S. 315 (1893).

Thus, it is plain from Dubilier and its progeny that employed inventors are a favored class which courts seek to protect by carefully circumscribing the instances in which an employed inventor must assign to the employer title to any patents obtained on inventions.

In the case at bar, the Court of Appeals on the first page of its opinion stated that Miller's duties included: "inventing, designing, developing and engineering products and improving Mainland's product line"; that he also

Appeals held that Miller was required to assign his patent to respondent.

Although respondent has stressed that Miller was supposed to solve problems relating to respondent's equipment and that the 1978 knifeholder solved problems connected with the 1973 knifeholder, at the time Miller made his invention in 1975 there were no particular problems with the 1973 knifeholder. Tr. 697. Rather, the evidence shows that the alleged problems occurred after Miller had conceived of his invention. Edmond Gurney, president of CM&E from 1973 to 1975, did not recall any problem regarding plugging or jamming of the 1973 knifeholder. He believed that such a problem would have been brought to his attention because he generally fielded customer complaints. Tr. 720. Moreover, Gene Hill, CM&E/Mainland's manager,

testified that he was unaware of any problems with the 1973 knifeholder until 1979. Tr. 31 and 63-65. From out of its 400 to 500 chipping heads on the market which employed over 3,000 knifeholders (8 knifeholders per machine), CM&E/Mainland made two service calls to correct alleged plugging problems with the 1973 knifeholder. Tr. 446-47. In both instances, the equipment was being misused by the customer. Tr. 279, 282, 364, 383, 398-99, and 415.

It is also important to note that although respondent's manager had assigned Miller the duties of designing a waste wood chipper and a saw edger, he never asked Miller to design or to invent an improved knifeholder. Tr. 74-75. Even by the time of trial respondent had not assigned this task to an employee. Tr. 75.

Petitioners submit that the proper framework for analysis is that provided by this Court in Dubilier. Under such a framework, it is apparent that Miller was not specifically hired to invent, rather his duties were general in nature. Consequently, Miller had no duty to assign to respondent the 1978 patent on his invention.

2. THE COURT HAS NOT FOR FIFTY YEARS PASSED ON THE QUESTION OF OWNERSHIP OF INVENTIONS BY EMPLOYED PERSONS.

During the past fifty years, the question of ownership of inventions as between employer-employee has become very important in our ever expanding technical society where inventing is to a great extent performed by corporate employees. Specific German and Swedish laws cover compensation for employed inventors. At least one bill was introduced in Congress

to "create a comprehensive federal system for determining the ownership of and amount of compensation to be paid for inventions and proposals for technical improvements made by employed persons" and suggestions have been made for similar state legislation.[8]

Since the Court's 1933 decision in Dubilier it has not addressed that important question. The time would appear to be ripe for additional guidance to the lower courts and a reaffirmation of Dubilier.

CONCLUSION

Based upon the foregoing facts and law, petitioners request that a writ of certiorari issue to review the judgment and opinion of the Court of Appeals.

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[8]"The Law of the Employed Inventor - Time for a Change?", 57 Mass. L.Q. 27, 37 (1972).

Dated this 28th day of January, 1983.

Respectfully submitted,

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